

**NEBRASKA INVESTMENT COUNCIL
MINUTES OF THE MEETING OF
August 26, 2008**

A special video conference meeting of the Nebraska Investment Council, convened at 8:30 a.m. at the Lincoln Executive Building, Lincoln, NE, Omaha State Office Building, Omaha, NE, and Jefferson City, MO.

Public notice was posted on the Nebraska Public Meeting Calendar on August 13, 2008, and published in the Lincoln Journal Star on August 17, 2008. Ms. Werner-Robertson chaired the meeting and Ms. Dawes recorded the minutes.

MEMBERS PRESENT:

Ms. Gail Werner-Robertson, Chairwoman
Dr. Richard DeFusco
Mr. John Maginn
Mr. John Dinkel
Mr. Norm Riffel
Treasurer Shane Osborn
Ms. Phyllis Chambers

NONMEMBERS IN ATTENDANCE:

Mr. David Bomberger, State Investment Officer
Ms. Kathy Dawes, Council Secretary
Mr. Joe Jurich, Nebraska Investment Council
Ms. JoLynn Winkler, Nebraska Investment Council
Mr. Christopher Heinrich, Harding & Shultz
Mr. Kevin Vandolder, Ennis Knupp + Associates
Mr. Vince Smith, Kansas Public Employees' Retirement System
Mr. Matt Clark, South Dakota Investment Council
Mr. Rick Dahl, Missouri State Employees' Retirement Systems
Senator Mike Friend
Senator Russ Karpisek
Mr. Jason Hayes, Deputy State Treasurer
Ms. Kathy Tenopir, Legislative Fiscal Office
Ms. Kim Davis, Senator Heidemann's Office
Ms. Cheryl Wolff, Senator Erdman's Office
Mr. Roger Keetle, Senator Wightman's Office
Mr. Jeremy Hosein, Governor's Policy Research Office
Mr. Gary Bush, State Budget Division

ADVISE THE PUBLIC THAT THE OPEN MEETINGS LAWS APPLY: 8:31 a.m. to 8:32 a.m. Ms. Werner-Robertson stated that copies of the Open Meetings Act are located on the side tables at both video conference sites.

COUNCIL MEMBER BUSINESS: 8:32 a.m. to 8:40 a.m. Mr. Bomberger welcomed everyone to the SIO Roundtable Discussion, which is being held at video conference sites in Omaha, Lincoln, and Jefferson City, MO. Mr. Bomberger thanked Mr. Matt Clark, Chief Investment Officer, South Dakota Investment Council, Mr. Robert "Vince" Smith, Chief Investment Officer, Kansas Public Employees' Retirement System, and Mr. Rick Dahl, Chief Investment Officer, Missouri State Employees' Retirement System for their participation at today's meeting. Mr. Bomberger stated that the video conference is also being recorded.

Ms. Werner-Robertson also expressed her appreciation to Mr. Clark, Mr. Smith, and Mr. Dahl for their willingness to provide insight on the operations of their State's investment offices. Ms. Werner-Robertson stated that given the number of assets that the Nebraska Investment Council has fiduciary responsibility for, it is crucial that it have the resources available to carry out its mission.

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SIO ROUNDTABLE DISCUSSION: 8:40 a.m. to 11:00 a.m. Mr. Clark, Mr. Smith, and Mr. Dahl each discussed the operations of their State's investment office, which included the following:

- ❖ Agency Overview
 - Assets under management
 - Nature and number of portfolios managed
 - Board structure, number of members, term, selection, and qualifications
 - Agency staff size, experience and qualifications
- ❖ Board Governance
 - How asset allocations are established
 - How investment managers are selected, monitored, and managed
 - What the role of the Agency staff is in the asset allocation, manager selections, and implementation processes
 - How their board measure whether its programs are successful
- ❖ Internal vs. External Management
 - Reviewed the portions of assets that are internally managed
 - Reviewed the portions of assets that are externally managed
 - How the Agency determines whether to "in-source" or "out-source"
- ❖ Role of the Investment Consultant
 - If the Agency uses investment consultants, if so, what role do the consultants play in the investment processes
- ❖ Agency Staff
 - What role the Agency's staff plays in the investment process
 - Classification of staff, if they are civil service employees or if they are exempt from their State's Human Resources' rules and regulations
 - If the Agency has the authority to use performance based compensation plans, if so, how does the Agency establish performance goals that incent the "proper" behavior and don't incent excessive risk taking
 - How the Agency manages the "headlines" associated with staff compensation
- ❖ Agency budget process
 - Who sets the Agency's budget
 - Is any portion of the Agency's expenses charged to the State's general fund
 - How does the Agency determine which investment management costs are budgeted and what expenses are charged directly to the specific fund
 - Does the Agency use alternative sources of funds to pay for investment management expenses
 - What alternative does the Agency have to pay for unplanned, unbudgeted, but necessary expenses that have not been appropriated through the budget process

Following the presentations, Ms. Werner-Robertson thanked Mr. Clark, Mr. Dahl, and Mr. Smith for taking time out of their busy schedules to join us at today's meeting. Ms. Werner-Robertson stated that the information provided will assist the NIC in evaluating the range of alternatives available to it in fulfilling its fiduciary obligations. A copy of the presentation was included in the meeting book. Mr. Clark and Mr. Smith left the meeting, and Mr. Dahl disconnected from the video conference. Recording of the meeting was stopped.

At 11:00 a.m. the Council took a break and reconvened at 11:15 a.m.

2009- 2011 BIENNIAL BUDGET REQUEST: 11:15 a.m. to 11:25 a.m. Mr. Bomberger informed the Council that Mr. Vandolder and he had just returned from attending the PERB Retreat in Kearney. Mr. Vandolder had reviewed with the PERB the recently completed Asset Liability Study for the Teacher's Plan. Mr. Bomberger

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noted that because of a scheduling conflict he is requesting Council members check to see it they would be available if the November meeting was re-scheduled for November 17th.

Mr. Bomberger reviewed with the Council the "2009-2011 Biennial Budget Request" a summary report included in the meeting book and requested direction and approval from the Council on the NIC's budget request. Mr. Maginn noted that the budget item which required discussion involved the compensation of staff members.

EXECUTIVE SESSION: 11:25 a.m. to 12:55 p.m. Mr. Maginn moved to enter into closed session. The subject matter of the closed session is the compensation of staff members. The reason for the closed session is to protect the privacy of such information. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Dr. DeFusco
	Mr. Maginn
	Mr. Dinkel
	Mr. Riffel
	Ms. Werner-Robertson

The motion carried.

Ms. Werner-Robertson requested that only the voting and non-voting members of the Council, Mr. Bomberger, Mr. Vandolder, and Mr. Heinrich be present and all others in attendance were excused.

At 12:55 p.m. Dr. DeFusco moved that the Council return to open session. Mr. Riffel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Maginn
	Mr. Dinkel
	Mr. Riffel
	Ms. Werner-Robertson
	Dr. DeFusco

The motion carried.

Mr. Maginn moved to approve the budget as discussed on page 32 of the "2009-2011 Biennial Budget Request", summary report, supported by the key budget request increases outlined on page 33 of the report. Dr. DeFusco seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Riffel
	Ms. Werner-Robertson
	Dr. DeFusco
	Mr. Maginn

VOTING ABSTAINED:	Mr. Dinkel
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The motion carried.

At 1:00 p.m. Mr. Riffel moved to adjourn the meeting. Mr. Dinkel seconded the motion. Ms. Werner-Robertson called for a roll call vote.

VOTING AYE:	Mr. Riffel
	Ms. Werner-Robertson
	Dr. DeFusco
	Mr. Maginn
	Mr. Dinkel

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The motion carried.



Kathy Dawes, Secretary